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April 16, 2024

Public Service Commission of Wisconsin
4822 Madison Yards Way
P.O. Box 7854
Madison, WI 53707-7854

RE: Midwest Energy Efficiency Alliance (MEEA) Response to the State of Wisconsin's Application for the U.S. Department of Energy's Home Energy Rebate Programs

Dockets 9716-FG-2023 and 9717-FG-2023

Introduction

Thank you for the opportunity to submit comments in response to Wisconsin's application for Home Energy Rebate Programs, administered through the U.S. Department of Energy (DOE) as funded through the Inflation Reduction Act (IRA). The Midwest Energy Efficiency Alliance (MEEA) is a collaborative network, promoting energy efficiency to optimize energy generation, reduce consumption, create jobs and decrease carbon emissions in all Midwest communities. MEEA serves as a technical resource, promotes program and policy best practices and highlights emerging technologies, all to maximize energy savings, reduce costs, improve resiliency and lower energy burden. Ultimately, MEEA seeks an achievable pathway for all people and communities in the Midwest to receive the economic, environmental and societal benefits of energy efficiency and the larger clean energy economy.

As a nonpartisan nonprofit organization, we are recognized in the policymaking process and are frequently relied upon as an expert resource, weighing in on proposed policies and helping explain the benefits of embracing energy efficiency. MEEA has a long history of engaging in Wisconsin Public Service Commission (PSC) dockets and regulatory planning processes. We participated in the Governor's Task Force on Climate Change by attending meetings of the Energy, Housing, Infrastructure & Transportation Subcommittee and submitting comments on draft recommendations. MEEA served on the advisory committee for the development of Wisconsin's first Clean Energy Plan, which was released in April 2022. MEEA presented at the PSC workshop on performance-based regulation (PBR) in January 2022 and attended all ensuing in-person PBR workshops. Lastly, our organization commented in the Roadmap to Zero Carbon docket and on several staff memos in the Quadrennial Plan IV process.

A large part of MEEA's work over the last several years has revolved around tracking implementation efforts of the Infrastructure Investment and Jobs Act and the Inflation Reduction Act. We are an affiliate member of the National Association of State Energy Offices and we have attended several NASEO in-person meetings over the last several

years to hear directly from the Department of Energy and state energy offices to understand rules, deadlines and processes around the many federal funding opportunities. Additionally, MEEA has engaged directly with the federal government through our strong relationships with DOE, the Office of Energy Efficiency and Renewable Energy and the Office of State and Community Programs. Through the Energy Efficiency Strategy Group, we have regularly submitted comments to DOE on implementation rulemaking.

MEEA routinely engages with our region's thirteen state energy offices by having conversations, participating in stakeholder meetings and submitting public comments. We recently began convening the Midwest state energy offices monthly to hear from each other on challenges and opportunities on federal funding implementation. Because of this, and our reputation as the region's sole advocate focused exclusively on energy efficiency, MEEA feels equipped to engage in this docket and add our perspective to the formation of the Home Energy Rebate Programs. As always, we look forward to supporting and promoting efforts to enhance and expand energy efficiency in Wisconsin.

In summary, these comments support the Commission, PSC Staff, the state energy office and program administrators in their efforts to equitably disburse Home Energy Rebates. With that in mind, MEEA supports the following alternatives presented in the memo.

Supported Alternatives

- i) Upgrades Eligible for HEAR Rebate – *Alternative One*
- ii) HEAR Rebate Amounts – *Alternative One*
- iii) Households Eligible for HEAR Heat Pump Rebates - *Alternative Two with Sub-Alternatives A, B and E*
- iv) HEAR Contractor/Eligible Entity Bonus Amounts – *Alternative Two*
- v) HOMES Modeled and/or Measured Program Delivery – *Alternative Three*
- vi) HOMES Rebates Amounts for Low-Income Households – *Alternative Two with Sub-Alternative C*
- vii) HOMES Rebates Amounts for Households Earning more than 150 Percent AMI – *Alternative Two with Sub-Alternative B*
- viii) HOMES Program Income Eligibility – *Alternative Two*
- ix) HOMES Program Low-Income Budget Allocation – *Alternative Two with Sub-Alternative C*
- x) HEAR Program Low-Income Budget Allocation – *Alternative Two with Sub-Alternative D*
- xi) HOMES Retroactive Rebates Approach – *Alternative One*
- xii) DAC Definition – *Alternative One*

- xiii) Customer Utility Data Access – *Alternative One with Sub-Alternative A*
- xiv) Data Sharing Agreements – *Alternative One*
- xv) Income Verification Methodology – *Alternative Two*
- xvi) Approval of Application Packages – *defer to Commission and program administrators*
- xvii) Application Curing and Supplemental Documents – *defer to Commission and program administrators*

Discussion of Supported Alternatives

I. Upgrades Eligible for HEAR Rebate - *Alternative One: Wisconsin's HEAR program shall offer rebates for all upgrades eligible under IRA Section 50122.*

MEEA believes Wisconsin should offer rebates for all measures listed in the DOE program guidance and therefore selects Alternative One. Importantly, while the appliance rebates are notable and likely attractive to consumers, MEEA does not want Wisconsin to deprioritize rebates for the non-appliances, especially for insulation, air sealing and ventilation. While heat pumps can provide environmental and economic benefits to consumers, these benefits are maximized when the structure's building shell is tightly sealed. If Wisconsin does not offer rebates for insulation, air sealing and ventilation, Wisconsinites may elect to pass on these measures as it's likely not all customers understand how a building's envelope can impact the effectiveness of a heat pump.

Additionally, the memo states that Wisconsin customers were least interested in electric panel upgrades when asked at the APTIM listening sessions. While not every customer will require electrical wiring or panel upgrades, these modifications can be costly. Wisconsin should extend rebates for these upgrades so these unexpected costs do not deter customers from moving forward with installing electrified end-uses. We support Alternative One and recommend the state extend rebates to all eligible upgrades.

II. HEAR Rebate Amounts - *Alternative One: Wisconsin's HEAR program shall offer the IRA maximum rebates for all eligible upgrades, consistent with Table 1.*

MEEA selects Alternative One, as the maximum rebate amounts established by the IRA seem reasonable. As discussed in the previous section, customers must be encouraged to adopt the non-appliance upgrades, too. We do not want to see rebates cut for insulation, air sealing and ventilation which could dissuade Wisconsinites from exploring those important measures. Additionally, the memo points out that these rebate levels have been heavily publicized. Wisconsin customers may be frustrated and have unfavorable views of the program if their rebates are either lower than expected or lower than neighboring states. While not explicitly tied to this topic, we encourage

program administrators to consider how these rebates can complement existing Focus on Energy offerings. As the only state in the Midwest with a statewide program administrator for energy efficiency programming, Wisconsin is uniquely positioned to align offerings and ensure customers benefit from braiding and stacking funds. Wisconsinites would be best suited if the state and its program administrators make Focus on Energy funds and IRA dollars work in concert together. With these considerations, we support Alternative One.

III. Households Eligible for HEAR Heat Pump Rebates - *Alternative Two: Only the following types of households shall be eligible for rebates for heat pumps for space heating and cooling under Wisconsin's HEAR program, with Sub-Alternatives A, B and E.*

The IRA is meant to be transformative, ideally maximizing both greenhouse gas reductions and bill savings. With this in mind, MEEA supports Alternative Two and Sub-Alternatives A, B and E to target heat pump rebates toward the households that would see the greatest benefit while maximizing customer choice.

The memo lays out two critical core principles that are relevant to this topic: 1) the program will target rebates to customers where up-front costs have been barriers to participating in Focus on Energy and particularly, in areas of the state with high energy burden and service territories that depend on delivered fuels, and 2) electrification projects should result in reduced household energy bills. With these considerations, MEEA supports Sub-Alternative A and targeting households who use delivered fuels. It's clear that these customers have historically been more difficult to reach with existing Focus on Energy programs and would see reduced energy bills, as demonstrated by the research cited in the memo.

However, there are additional customer segments that could benefit from heat pump rebates. Electric resistance heat is an extremely inefficient heating source. Customers who have electric resistance heat tend to have a higher energy burden than those with other heating sources. As mentioned in the research cited by the memo, this population would likely benefit the most from heat pumps. Allowing this group to access heat pump rebates is a clear win and will assist the state in meeting the IRA's goals of reducing energy bills and emissions. MEEA supports Sub-Alternative B.

When considering Sub-Alternative E, it is likely that fewer natural gas customers would meet the spirit of the core principle in utilizing electrification to reduce energy bills. However, if a heat pump were to be paired with other energy efficiency measures like insulation, air sealing and ventilation, it is possible that some customers that use natural gas for heating would see bill savings. As a fuel-neutral organization, we believe that

customers of all fuel types should have access to IRA program dollars. It is important to remember that customers will have varying levels of knowledge on these technologies. It will be necessary for program administrators to clearly communicate how bills will be impacted by the uptake of these measures. As long as natural gas customers are aware of the possible impacts to their bills, they should be allowed to participate. MEEA supports Sub-Alternative E.

MEEA is not choosing Sub-Alternatives C and D. While the IRA is a transformative amount of money, it is not endless. It's been well-documented that decarbonizing the entire existing building stock in America will cost trillions of dollars and bring numerous logistical challenges. Understanding this, MEEA is advocating that the state targets only existing structures as this is a better use of funds to help overcome the financial and logistical barriers in decarbonizing existing buildings. It is important to build new homes and buildings in an efficient manner, but there are other avenues outside of the home energy rebates that can encourage efficient new construction. As the region's leading advocate on building energy codes, we would encourage the state to consider how strong building energy codes can lead to more efficient new homes and buildings. However, when it comes to IRA rebates, we recommend the state restrict IRA dollars to existing buildings in order to properly direct funds toward the larger, more complicated problem.

IV. HEAR Contractor/Eligible Entity Bonus Amounts - *Alternative Two: The State of Wisconsin shall design its HEAR program to offer contractor/eligible entity bonus amounts that are different than the Incentive amounts proposed in Table 4 for those upgrades selected below.*

MEEA supports Alternative Two, as we believe incentives should be aligned with DOE's maximum incentives. Table 4 demonstrates that program administrators were planning on matching DOE's proposed incentives, with the exception of reducing the incentive for ducted heat pumps to match the incentive for non-ducted heat pumps. While we appreciate the desire for administrative simplicity, we believe there is a good reason for the incentives to be different, as the higher incentive for ducted heat pumps reflects differences in installation complexity and cost. Ducted systems require more labor and materials, including ductwork and air handlers, which may lead to higher costs and therefore justify a higher incentive to contractors. By aligning incentives, Wisconsin may inadvertently encourage contractors to just recommend the easier, ductless system because they can receive the same incentive amount, even when a ductless system may not be the right recommendation or the most efficient design.

It is our understanding that DOE intentionally recommended a higher incentive level for ducted systems to properly motivate contractors to consider the more complicated ducted system installation. Without this additional incentive, contractors may just default to installing a ductless system for the same incentive. It's also important to note that rebates should be directed toward customers who are displacing heating load. Wisconsin does not want to have funds depleted by contractors who are installing a ductless heat pump for additional heating and cooling of a particular room, for example, and counting that as progress. Throughout the entire home energy rebate process, it is imperative that homeowners receive the best technology that fits their home's unique needs. In this case, we support Alternative Two so contractors and homeowners are incentivized to take on a more complicated heat pump installation if that is what is most appropriate for the structure.

V. HOMES Modeled and/or Measured Program Delivery - *Alternative Three: The State of Wisconsin's application to the U.S. DOE for IRA Section 50121 (HOMES) shall be modified to confirm it will implement both the Modeled program path and the Measured program path.*

Commenters will likely have varying opinions on this matter, but MEEA is supporting Alternative Three to offer the most flexibility to program administrators and Wisconsin customers. The memo understandably outlines concerns on both pathways. Focus has had challenges with accurately modeling savings in the past, yet measured programs may be more expensive to administer and will delay rebates, given the requirement for nine (or preferably twelve) months of data. We see the pros and cons of either tactic.

With these considerations in mind, MEEA is recommending Alternative Three for maximum flexibility in consumer choice. The modeled pathway can be established more quickly, as administrators are familiar with the process. Additionally, as the memo points out, the modeled savings pathway requires less data which makes it appealing. However, we do think the measured pathway may be best in certain scenarios, especially as vendors perfect the technology and their offerings to program administrators. The measured pathway also has the benefit of demonstrating the real value of these programs to those who are skeptical of the programs' impact.

The memo states that the program will likely be delayed if the state elects to offer the measured savings pathway. Wisconsinites are eager to access rebates, and we understand that program administrators are feeling the crunch. While we see the value in both modeled and measured pathways, we defer to program administrators on timing. We see that it could make sense to exclusively offer the modeled pathway and eventually add in the measured route as the process gets ironed out. Ultimately, MEEA

is hoping to see successful program deployment in Wisconsin regardless of the path each customer takes.

VI. HOMES Rebates Amounts for Low-Income Households - *Alternative Two: The State of Wisconsin shall request authorization to increase the rebate cap for low-income households in its IRA Section 50121 HOMES application to the U.S. DOE, with Sub-Alternative C.*

MEEA believes that the majority of the benefits should go toward low-income customers. The IRA has the chance to be transformative by equitably deploying funds to homes in Wisconsin that need it the most. While Focus on Energy has offered some programs targeted at low-income customers, the home energy rebates have the potential to serve many times more customers in this demographic than the existing Focus program can. MEEA is selecting Alternative Two.

While prioritizing low-income households is the right thing to do, there are additional benefits to opting for Alternative Two. First, as the memo states, continued demonstration of successfully reaching low-income households will benefit the state when it comes to accessing future tranches of funds. It is our goal that Midwestern states access and deploy as many rebates as possible, so it is a strong reason to opt for Alternative Two if selecting this option gives Wisconsin an advantage in later funding rounds. Additionally, low-income families are disproportionately more likely to live in less efficient housing. There is massive energy savings potential in low-income housing. If the state wants to target homes that will provide the deepest levels of carbon reduction, targeting under-resourced homeowners is a good idea. And lastly, these rebates can potentially make a meaningful difference in reducing energy bills. Low-income customers, who often struggle with high energy burdens, will benefit the most from reducing their energy bills and directing less of their income toward utilities. This could have positive economic consequences that reverberate throughout communities in Wisconsin. For these reasons, we are selecting Alternative Two. As for the Sub-Alternatives, we are selecting option C as we are not advocating exclusively for a modeled or measured approach, per our comments in the previous topic.

VII. HOMES Rebates Amounts for Households Earning more than 150 Percent AMI - *Alternative Two: The State of Wisconsin shall establish rebate amounts that are lower than the IRA maximum for households earning more than 150 percent AMI in its IRA Section 50121 HOMES application to the U.S. DOE, with Sub-Alternative B.*

To maximize the number of households that can participate in the program, MEEA supports Alternative Two. Once again, the funds going toward home energy rebates

are not endless. Wisconsin should use the rebate programs to target under-resourced populations, as these are the households who will both feel the greatest positive impact from the program and may be the least willing to take on these energy-savings improvements without the substantial proposed rebates. Thus, we select Alternative Two. While reducing rebates for those earning more than 150% AMI may lead to lowered participation by this demographic, this tradeoff seems worth it. Ideally the rebates will still be appealing enough for these households to encourage their participation while centering the state's efforts on elevating the applications of low-income households. Once again, we are selecting Sub-Alternative B due to our response on the modeled and measured savings topic. Because we believe that both pathways should be offered, we are supporting Sub-Alternative B.

VIII. HOMES Program Income Eligibility - *Alternative Two: Take no action.*

MEEA supports program administrators in their attempts to center low-income Wisconsinites in program delivery. We believe emphasizing low-income customers would be better served by increasing rebate levels or the percentage of the budget as opposed to restricting eligibility. Thus, we support Alternative Two.

Americans are eager to access these home energy rebates, with anecdotal stories emerging that homeowners have delayed planned upgrades until rebates have rolled out. MEEA believes that all Wisconsinites deserve access to these programs in all tranches to best meet program demand. Additionally, in selecting Alternative Two, program administrators can reduce market confusion at a time when many customers have questions on program eligibility. It may be unclear for customers and challenging for program administrators to implement a program where different households are eligible for the program at different times. While we appreciate administrators for thinking of ways to prioritize low-income Wisconsinites, we believe Alternative One will make the program more confusing and possibly lead to customers choosing to pass on participating in the program altogether.

IX. HOMES Program Low-Income Budget Allocation - *Alternative Two: The State of Wisconsin shall reserve a greater proportion of IRA Section 50121 HOMES program rebate funding for low-income households than U.S. DOE's minimum requirements, with Sub-Alternative C.*

X. HEAR Program Low-Income Budget Allocation - *Alternative Two: The State of Wisconsin shall reserve HEAR program rebate funding for low-income households that are greater than U.S. DOE's minimum requirements as presented in Appendix A of the U.S. DOE Guidance, with Sub-Alternative D.*

MEEA is electing to support Alternative Two for both HOMES and HEAR Program Low-Income Budget Allocation topics. As we have said throughout these comments, we believe that low-income Wisconsinites should be the priority target for these programs. The home energy rebate programs will be transformative for low-income communities, as they will help the state equitably decarbonize while providing real economic benefits to the households most in need.

We selected Sub-Alternative C for the HOMES allocation and Sub-Alternative D for the HEAR allocation for the same reason. We believe most of these funds should be directed toward low-income communities; however, we do not feel comfortable in prescribing a specific percentage. We defer to the Commission and program administrators to strike a balance between centering low-income communities without completely eliminating the participation of other Wisconsinites, especially those who hover closely above the low- and moderate-income thresholds. It's all but a certainty that many Wisconsinites (even those with higher incomes) will not proceed with these upgrades unless they receive rebates. Finding this balance is delicate, so we support program administrators in selecting a percentage that they feel is fair.

XI. HOMES Retroactive Rebates Approach - *Alternative One: The State of Wisconsin shall include the additional proposed state requirements listed in the draft application.*

MEEA has heard from the region's state energy offices that fulfilling rebates for retroactive projects will be challenging to administer. MEEA defers to program administrators on this issue and is comfortable with selecting Alternative One as long as administrators do not feel this will hinder or delay program delivery. Allowing customers more flexibility on income verification will likely be appreciated due to the potential barriers identified in the memo. Additionally, it seems reasonable to set a deadline for retroactive rebates. The proposed deadline is more than a year and a half away, so this seems sensible to add to Wisconsin's application.

We will note that we are potentially supportive of additional restrictions on retroactive rebates. We understand that program administrators want to fairly reward customers who were proactive in installing these measures. However, MEEA believes the program should do what it can to limit the amount of free-riders who retroactively benefit from the program. Additionally, as mentioned, the bulk of these funds should be directed toward low-income households, who are less likely to have proactively taken on these projects without the certainty of rebates. We are selecting Alternative One since these modifications seem appropriate but are not opposed to the state adding additional requirements as it sees fit.

XII. DAC Definition - *Alternative One: The State of Wisconsin's Home Energy Rebate programs shall use the U.S. DOE definition of a disadvantaged community.*

With limited discussion on alternative definitions, MEEA finds deferring to DOE on its disadvantaged community definition reasonable. Utilizing DOE's definition is logical, especially since other programs already use this definition. MEEA supports Alternative One for the aim of aligning program eligibility.

XIII. Customer Utility Data Access - *Alternative One: Grant a waiver of Wis. Admin. Code § PSC 113.0505(2) and find that an exceptional circumstance exists pursuant to Wis. Admin. Code. § PSC 113.01(2) for sharing of utility customer data and expressly authorize access to municipal customer data pursuant to Wis. Stat. § 196.137(2)(c) for purposes of the IRA HER Programs, with Sub-Alternative A.*

Data access is a critical component to ensuring the success of HOMES and HEAR. MEEA supports the program administrator's efforts to identify a path for streamlined data access processes while ensuring compliance under Wisconsin law. We agree with the program administrators that implementing the home energy rebates is an exceptional circumstance due to the unprecedented amount of money and administrative complexity in fulfilling the rebates. In granting a waiver to Focus on Energy in its 2009 order, the Commission noted that a lack of data access was a barrier to achieving energy efficiency goals and efficient service delivery. It is all but certain these issues would arise in the IRA programs if access to data is not proactively clarified. Thus, MEEA supports Alternative One so all parties have the data they need, and the state and program administrators have the clarity that they are following Wisconsin state code. The parties listed in Sub-Alternative A seem to encompass all actors who would need the data, so MEEA is comfortable with that option.

XIV. Data Sharing Agreements - *Alternative One: Commission staff and other parties authorized to receive customer data shall establish data sharing agreements with utilities prior to obtaining their customer data for IRA HER programs.*

It is imperative that all parties who interact with customer data respect customer confidentiality and comply with all rules and regulations. We believe it is fair to only allow data access to those who have agreed to data sharing agreements and therefore select Alternative One.

XV. Income Verification Methodology - *Alternative Two: The State of Wisconsin shall design its Income Verification Methodology consistent with the Commission's discussion.*

MEEA appreciates the detailed explanation given in this memo. While we support the verification methods listed in Alternative One, we are selecting Alternative Two in the spirit of encouraging maximum flexibility. Throughout the Midwest, utilities and program administrators use various ways to verify income, some of which are not listed in Alternative One. We encourage program administrators to continuously think of ways to streamline income verification processes and consider alternative methods that may be more accurate, more efficient and less invasive. We do not want to see Wisconsinites refuse to participate in the program for any reason, but especially because the income verification processes are too complicated.

While we are not necessarily mandating the state use alternative routes like self-attestation or census tract eligibility, we want to encourage the state to connect with low-income residents and advocates to listen to their perspectives from going through income verification processes. We defer to communities on this issue but are selecting Alternative Two to encourage program administrators to think creatively about ways to make these processes less burdensome, especially when considering the number of applications administrators are likely to see in these programs.

XVI. Approval of Application Packages – *defer to Commission and program administrators.*

XVII. Application Curing and Supplemental Documents – *defer to Commission and program administrators.*

MEEA is impartial to the Alternatives listed in these two categories. We thank program administrators and the Commission for their attention to these issues, so we defer to those involved on the best way to finalize these applications. While we understand the pressure administrators must be facing to get rebates out as quickly as possible, we also understand the need to get these details right. We appreciate the chance to comment on these matters but are neutral on what steps need to be taken by whom to finalize the application.

Conclusion

We sincerely commend the program administrators for their thoughtful approach to these complicated matters. While MEEA does have stances on many of these topics, we ultimately are here to help Wisconsin and its rebate administrators in their efforts to build successful programmatic infrastructure. Wisconsin is the only Midwestern state with a statewide program administrator for renewable energy and energy efficiency programming. This is an advantage for Wisconsin, as Focus on Energy and its administrators already know how to implement programs like this. While the size and



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scale of the home energy rebate programs may be overwhelming, we are confident Wisconsin will build a strong program. We look forward to supporting Wisconsin in this important work. If you have questions on these comments or want additional information, please contact Maddie Wazowicz, Policy Director, at mwazowicz@mwalliance.org. Thank you for your consideration.

Sincerely,

Paige Knutsen, Executive Director

These comments reflect the views of the Midwest Energy Efficiency Alliance – a Regional Energy Efficiency Organization as designated by the U.S. Department of Energy – and not the organization's members or individual entities represented on our board of directors.